



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HENRY COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

July 17, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
HENRY COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES

July 17, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Henry County Sheriff as of July 17, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Sheriff collected net taxes of \$3,765,978 for the districts for 2000 taxes. Sheriff distributed taxes of \$3,768,424 to the districts for 2000 Taxes. Taxes of \$1,079 are due to the districts from the Sheriff and refunds of \$3,752 are due to the Sheriff from the taxing districts.

Debt Obligations:

None.

Report Comments:

None.

Deposits:

The sheriff's deposits were insured and collateralized by bank securities or bonds.

Subsequent Event:

None.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Bryant, Henry County Judge/Executive
Honorable G. R. Downey, Henry County Sheriff
Members of the Henry County Fiscal Court

Independent Auditor's Report

We have audited the Henry County Sheriff's Settlement - 2000 Taxes as of July 17, 2001. This tax settlement is the responsibility of the Henry County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As stated in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Henry County Sheriff's taxes charged, credited, and paid as of July 17, 2001, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Bryant, Henry County Judge/Executive
Honorable G. R. Downey, Henry County Sheriff
Members of the Henry County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 17, 2001

HENRY COUNTY
G. R. DOWNEY, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

July 17, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 490,603	\$ 456,751	\$ 1,984,872	\$ 586,401
Tangible Personal Property	39,165	32,249	167,423	146,119
Intangible Personal Property				71,986
Fire Protection	628			
Increased Through Erroneous Assessments	62	53	282	759
Franchise Corporation	42,024	35,061	170,087	
Additional Billings	470	498	1,911	8,416
Limestone, Sand, and Mineral Reserves	91	79	354	108
Order Correcting Sand Springs Assessment			4,037	
Penalties	4,209	3,898	17,072	5,660
Adjusted to Sheriff's Receipt	1	24	6	8
Gross Chargeable to Sheriff	<u>\$ 577,253</u>	<u>\$ 528,613</u>	<u>\$ 2,346,044</u>	<u>\$ 819,457</u>
<u>Credits</u>				
Exonerations	\$ 15,045	\$ 12,589	\$ 60,837	\$ 78,065
Discounts	7,025	6,489	28,584	10,115
Delinquents:				
Real Estate	16,564	16,518	66,685	19,787
Tangible Personal Property	701	576	2,775	11,993
Intangible Personal Property				7,746
Order Correcting Sand Springs Assessment			4,037	
Total Credits	<u>\$ 39,335</u>	<u>\$ 36,172</u>	<u>\$ 162,918</u>	<u>\$ 127,706</u>
Net Tax Yield	\$ 537,918	\$ 492,441	\$ 2,183,126	\$ 691,751
Less: Commissions (a)	<u>23,149</u>	<u>20,929</u>	<u>65,494</u>	<u>29,687</u>
Net Taxes Due	\$ 514,769	\$ 471,512	\$ 2,117,632	\$ 662,064
Taxes Paid	514,749	474,365	2,117,280	662,029
Refunds (Current and Prior Year)	<u>29</u>	<u>25</u>	<u>138</u>	<u>35</u>
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	<u>\$ (9)</u>	<u>\$ (2,878)</u>	<u>\$ 214</u>	<u>\$ 0</u>

(a), (b), and (c) See Page 4

HENRY COUNTY
 G. R. DOWNEY, SHERIFF
 SHERIFF'S SETTLEMENT - 2000 TAXES
 July 17, 2001
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	1,712,110
3% on	\$	2,183,126

(b) Special Taxing Districts:

Library District	\$	(458)
Health District		357
Extension District		19
Soil Conservation District		(2,616)
Little KY River Watershed District		(10)
Bart Smith District		(102)
Deerfield Section VI District		(24)
Coakland Farms District		(8)
Sand Springs District		<u>(36)</u>

Due Districts or (Refund Due Sheriff)	\$	<u><u>(2,878)</u></u>
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(c) School Districts:

Common School	\$	(489)
Eminence Independent		<u>703</u>

Due District or (Refund Due Sheriff)	\$	<u><u>214</u></u>
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HENRY COUNTY
NOTES TO FINANCIAL STATEMENT

July 17, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Henry County Sheriff's Tax Account is an agency fund type.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of July 17, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
July 17, 2001
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 27, 2000 through April 27, 2001.

Note 4. Interest Income

The Henry County Sheriff earned \$15,785 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school districts as required by statute, and the remainder will be used to operate the Sheriff's office. As of October 17, 2001, the Sheriff owes Eminence Independent School \$159 in interest and is due a refund from the Common School District of \$299 in interest overpaid and owes his fee account \$157 in interest.

Note 5. Sheriff's 10% Add-On Fee

The Henry County Sheriff collected \$20,903 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Henry County Sheriff collected \$346 of advertising costs and fees allowed by KRS 424.330(1) and KRS 134.440(2). As of October 17, 2001, the Sheriff owes \$346 in advertising costs and advertising fees to his fee account.

Note 7. Bond Coverage

KRS 134.320 and KRS 134.250 give the Fiscal Court the authority to require the Sheriff to have a county revenue bond. The county revenue bond is supposed to cover all tax monies in the Sheriff's possession. The Sheriff's county revenue bond was \$150,000, which appears adequate to protect the county from potential loss.

Note 8. 1999 Tax Escrow Account

The 1999 tax account did not earn interest from the end of the 1999 tax year (July 18, 2000) until calendar year end 2000. The 1999 tax escrow account was set up as an interest bearing account effective May 2001, after all 1999 tax receivables and liabilities were paid. The ending balance as of December 31, 2000 was \$924.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Henry County Sheriff's Settlement - 2000 Taxes as of July 17, 2001, and have issued our report thereon dated October 17, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Henry County Sheriff's Settlement - 2000 Taxes as of July 17, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henry County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 17, 2001

